

**FORM
N-756**
(Rev. 1995)

STATE OF HAWAII — DEPARTMENT OF TAXATION

ENTERPRISE ZONE TAX CREDIT

SEE INSTRUCTIONS BEFORE COMPLETING THIS FORM.

Or fiscal year beginning _____, 19____, and ending _____, 19____

19 ____ ____

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-30, or N-70NP

SSN OR FEIN

Name

Hawaii G.E./Use Identification Number

Complete Parts I and II if your 7-year cycle began at the **start** of your taxable year.

Complete Parts I and III if your 7-year cycle began **during** your taxable year rather than at the start of your taxable year.

In order to claim the enterprise zone tax credit, **ALL** of the following **MUST** be attached to your tax return:

1. Form N-756, Enterprise Zone Tax Credit
2. Form N-756A, Information Statement, if you are a partner of a partnership or a shareholder of an S corporation
3. A copy of the certification issued by the Department of Business, Economic Development & Tourism

Part I - Computation of Tax and Unemployment Insurance Premiums Attributable to Zone Activity

1. Total tax liability.....		1	
2a. Total gross income within the zone.....	2a		
b. Total gross income within Hawaii.....	2b		
c. Divide line 2a by line 2b. This is the percentage of business within the zone.....		2c	
3. Multiply line 1 by line 2c.....		3	
4. Total unemployment insurance premiums paid.....		4	
5a. Total payroll for employees employed within the zone.....	5a		
b. Total payroll for employees employed within Hawaii.....	5b		
c. Divide line 5a by line 5b. This is the percentage of unemployment insurance premiums paid on the payroll of employees employed within the zone.....		5c	
6. Multiply line 4 by line 5c.....		6	
7. Add lines 3 and 6.....		7	

Part II - Computation of Tax Credit When the 7-Year Cycle Began at the Start of the Taxable Year

8. Enter the cycle year.....																						
9. Enter the percentage from the table below that applies to your cycle year.....		9																				
<table border="1"> <thead> <tr> <th>Cycle Year</th> <th>Applicable Percentage</th> <th>Cycle Year</th> <th>Applicable Percentage</th> </tr> </thead> <tbody> <tr> <td>1.....</td> <td>80%</td> <td>5.....</td> <td>40%</td> </tr> <tr> <td>2.....</td> <td>70%</td> <td>6.....</td> <td>30%</td> </tr> <tr> <td>3.....</td> <td>60%</td> <td>7.....</td> <td>20%</td> </tr> <tr> <td>4.....</td> <td>50%</td> <td></td> <td></td> </tr> </tbody> </table>	Cycle Year	Applicable Percentage	Cycle Year	Applicable Percentage	1.....	80%	5.....	40%	2.....	70%	6.....	30%	3.....	60%	7.....	20%	4.....	50%				
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2.....	70%	6.....	30%																			
3.....	60%	7.....	20%																			
4.....	50%																					
10. Multiply line 7 by line 9. This is your enterprise zone tax credit allowable for the year. Enter this amount on Form N-11, line 29; Form N-12, line 39; Form N-15, line 39; Form N-30, Schedule H, line 2; or Form N-70N, line 13(c); whichever is applicable.....		10																				

Part III - Computation of Tax Credit When the 7-Year Cycle Began During the Taxable Year

11. Enter the 2 cycle years contained in the taxable year. (Note: If the taxable year contains only your first or last cycle year, you only need to complete lines 11a, 12a-12e, and 14.)			
a. Cycle year.....	b. Cycle year.....		
12. Cycle year referred to on line 11a			
a. Enter the number of months during the taxable year attributable to the cycle year referred to on line 11a.....	12a		
b. Divide line 12a by 12.....	12b		
c. Enter the percentage applicable to the cycle year referred to on line 11a. (See line 9 for percentage table).....	12c		
d. Multiply line 12b by line 12c.....	12d		
e. Multiply line 7 by line 12d.....		12e	
13. Cycle year referred to on line 11b			
a. Enter the number of months during the taxable year attributable to the cycle year referred to on line 11b.....	13a		
b. Divide line 13a by 12.....	13b		
c. Enter the percentage applicable to the cycle year referred to on line 11b. (See line 9 for percentage table).....	13c		
d. Multiply line 13b by line 13c.....	13d		
e. Multiply line 7 by line 13d.....		13e	
14. Add lines 12e and 13e. This is your enterprise zone tax credit allowable for the year. Enter this amount on Form N-11, line 29; Form N-12, line 39; Form N-15, line 39; Form N-30, Schedule H, line 2; or Form N-70NP, line 13(c); whichever is applicable.....		14	

INSTRUCTIONS
FORM N-756
(Rev. 1995)

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM N-756
ENTERPRISE ZONE TAX CREDIT

GENERAL INSTRUCTIONS

A qualified business which has received certification from the Department of Business, Economic Development & Tourism may claim the enterprise zone tax credit.

A business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against any taxes due the State according to the following formula:

First year	80% of tax due
Second year	70% of tax due
Third year	60% of tax due
Fourth year	50% of tax due
Fifth year	40% of tax due
Sixth year	30% of tax due
Seventh year	20% of tax due

In addition, a business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against any taxes due the State in an amount equal to a percentage of unemployment insurance premiums paid on the payroll of all the business' employees employed in the enterprise zone, including employees who do not qualify under the definition of a low-income person, according to the following formula:

First year	80% of premiums paid
Second year	70% of premiums paid
Third year	60% of premiums paid
Fourth year	50% of premiums paid
Fifth year	40% of premiums paid
Sixth year	30% of premiums paid
Seventh year	20% of premiums paid

If the enterprise zone tax credit exceeds the taxpayer's tax liability, the excess of credit over liability shall not be refunded to the taxpayer, nor shall it be carried over or carried back to another tax period.

The enterprise zone tax credit shall apply only to the extent that a qualified business conducts trade or business within the zone. A business which has income taxable both within and without Hawaii shall apportion and allocate the business' net income under sections 235-21 to 235-39, HRS, prior to calculating the enterprise zone tax credit.

"Trade or business" means all business activity by a qualified business within an enterprise zone, whereby 1) tangible personal property is sold at wholesale and the sale takes place within the zone, 2) a qualified business engages in a service business or calling within the zone, or 3) value is added to materials or products that are manufactured within the zone.

Tangible personal property must be sold at wholesale by an establishment or qualified business located within an enterprise zone. Both the transfer of title and delivery to the buyer of the tangible personal property must take place in the same enterprise zone in which the tangible personal property is sold.

Services must be sold by an establishment or qualified business engaged in a service business or calling within an enterprise zone and the services must be delivered in the same enterprise zone in which the services are sold. The business must act upon or process tangible personal property. This includes business activities such as cleaning, repair, and maintenance. By way of example, this term does not include business activities such as brokerage, legal, accounting, architectural, engineering, consulting, contracting, real estate, and travel agencies. Where the service business or calling, in the same transaction, engages in both the sale of tangible property and services, the service business or calling shall segregate the sale of services from the sale of tangible personal property.

Value must be added to materials or products that are manufactured within the enterprise zone.

Each partner or S corporation shareholder of a business that has been certified shall separately determine for the partner's or shareholder's taxable year within which the business' taxable year ends, the partner's or shareholder's share of the credit. The partner's or shareholder's share of the entity's net income or loss and unemployment insurance credit shall be determined in accordance with the ratio in which the partners and shareholders divide the profits and losses of the partnership or the S corporation, respectively.

Note: *ALL of the following must be attached to your tax return in order to*

claim the enterprise zone tax credit:

1. Form N-756, Enterprise Zone Tax Credit
2. Form N-756A, Information Statement, if you are a partner of a partnership or a shareholder of an S corporation
3. A copy of the certification issued by the Department of Business, Economic Development & Tourism

SPECIFIC INSTRUCTIONS

PART I

Line 1. — Enter the total tax liability from Form N-11, line 26; Form N-12, line 36; Form N-15, line 38; Form N-30, Schedule J, line 17; or Form N-70NP, line 9; whichever is applicable. (**Note:** For Forms N-11, N-12, and N-15, do not include the separate tax from Forms N-2, N-152, N-312, N-405, N-586, or N-814 in your total tax liability.)

Line 2a. — Enter the total gross income of the qualified business within the zone during the taxable year whereby tangible personal property is sold at wholesale to business firms, a qualified business engages in a service business or calling, or value is added to materials or products that are manufactured by a qualified business.

For an individual operating as a sole proprietorship, enter the amount of the business' net income which is attributable to the conduct of trade or business within the zone. This is calculated by multiplying the business' net income by a fraction; the numerator being the total gross receipts of the business within the zone and the denominator being the total gross receipts of the business within Hawaii.

Partners and S corporation shareholders should enter the amount from Form N-756A, line 2e.

Line 2b. — Enter the total gross income of the qualified business within Hawaii during the taxable year, including sales within and without the enterprise zone. A business is taxable without the enterprise zone if the business has: 1) income from business activity within the zone which does not fall within the definition of trade or business, or 2) income from business activity conducted outside the zone. This term includes work that a business located within a zone subcontracts to a business located outside the zone and the work is delivered outside the zone.

For an individual, enter the total gross income within Hawaii, including your business's net income (if operating as a sole proprietorship), salary, interest income, dividend income, etc.

Partners and S corporation shareholders should include in the total amount reported on line 2b, the amount from Form N-756A, line 2a.

Line 4. — Enter the total amount of unemployment insurance premiums paid on the payroll of all the business' employees employed in the enterprise zone, including employees who do not qualify under the definition of a low income person.

Partners and S corporation shareholders claiming their share of the entity's unemployment insurance premiums paid within the zone should skip lines 4, and 5a-5c; and enter the amount from Form N-756A, line 3e, on line 6. On the dotted line next to line 6, write "From Form N-756A."

Line 5a. — Enter the total payroll for employees employed within the zone during the taxable year. An employee is employed within the zone if: 1) the individual's service is performed entirely within the zone, or 2) the individual's service is performed both within and without the zone, but the service performed without the zone is incidental to the individual's service within the zone.

Line 5b. — Enter the total payroll for all employees within Hawaii.

Part II should be completed if your 7-year cycle began at the start of your taxable year.

Part III should be completed if your 7-year cycle began during your taxable year rather than at the start of your taxable year.